

FISCAL NOTE

Bill #: HB0385

Title: Revise greenbelt property taxes

Primary

Sponsor: Emily Swanson

Status: As introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:		
General Fund	\$488,500	(\$817,800)
Revenue:		
General Fund	0	3,512,600
State Special Revenue	0	221,850
Net Impact on General Fund Balance:	(\$488,500)	\$4,330,400

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
X		Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

Revenue Assumptions

1. The effective date of this proposal is for tax years on and after January 1, 2000. The proposal will increase property tax revenues beginning in FY2001 and succeeding fiscal years.
2. The proposal would eliminate the assessment of parcels or contiguous parcels of land under one ownership, between 20 and 160 acres in size, from valuation as class 3 property and taxed at a rate of 26.721%. These properties would be placed in class 4 property, valued at market, and taxed at the class 4 property rate of 3.816% (Under current law, classes 3 and 4 are phased down .022 each year). Contiguous parcels of land under one ownership from 20 acres to 40.0 acres in size will be taxed at 75% of the Class 4 property tax rate; contiguous parcels of land under one ownership from 40.1 acres to 80 acres will be taxed at 50% of the Class 4 property tax rate; and parcels of land under one ownership from 80.1 acres to 160.0 acres will be taxed at 25% of the Class 4 tax rate.
3. The estimated impacts are based on 1998 property tax data.
4. The average statewide mill levy for properties affected by this proposal was 383 mills in 1998.

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5. The Department of Revenue does not collect sale information for land sold in the market place for properties affected by this proposal (see technical note #1). At this time, the average 1996 market value for each acreage category in this proposal is unavailable.
6. The base year for Department of Revenue property appraisals is January 1, 1996. For purpose of this fiscal note, a market value of \$3,500 per acre is assumed for properties in the 20 – 40.0 acre category; \$2,000 for properties in the 40.1 – 80.0 acre category; and \$500 per acre for properties in the 80.1 – 160.0 acre category.
7. It is estimated that there are 360,000 acres affected by this proposal in the 20 – 40.0 acre category; 155,092 acres in the 40.1 – 80.0 acre category; and 117,300 acres for properties in the 80.1 – 160.0 acre category.
8. There is a net increase of \$14,161,300 in property taxes to properties affected by this proposal that will be distributed \$3,512,600 to the state general fund; \$221,850 to the university account; and \$10,426,850 to local governments and schools.
9. The 20 – 40.0 acre category will produce an increase of \$12,598,240 that will be distributed \$3,124,890 to the state general fund; \$197,360 to the university account; and \$9,275,990 to local governments and schools.
10. The 40.1 – 80.0 acre category will produce an increase of \$1,744,060 and will be distributed \$432,600 to the state general fund; \$27,320 to the university account; and \$1,284,140 to local governments and schools.
11. The 80.1 – 160.0 acre category will produce a decrease of (\$181,000) and will result in a loss of (\$44,900) to the state general fund; (\$2,830) to the university account; and (\$133,270) to local governments and schools.
12. The increase in taxable values will cause school districts to reduce GTB levies in FY2001 to maintain minimum budgets required under section 20-9-308(1)(a), MCA (see technical note #5). The change will decrease by \$877,500 the amount of state GTB aid in FY2001.

Administrative Assumptions

13. All personal services and operating costs for FY2000 and FY2001 are one-time costs.
14. An estimated 80 hours per county or a total of 4,480 hours will be needed to obtain adequate market data from the private sector. This requires 2.55 FTE grade 12 appraisers in FY2000 for a total cost of \$73,400.
15. An estimated 3 CALP tables per county will need to be developed in FY2000. Each table requires 8 hours to construct and test. A total of 168 new CALP tables require 1,344 hours of work or 0.75 FTE. A grade 13 position will be hired for 9 months for a cost of \$24,100.
16. There are an estimated 35,700 parcels of land that are classified as nonqualified agricultural land. There are an additional 34,392 parcels in the 20 to 160 acre category that are classified as agricultural land.
17. In FY2000, it is estimated that landowners for all of the parcels that are currently classified as agricultural land would apply for agricultural classification and 5% of the parcels with nonqualified agricultural land would apply for agricultural classification. It will require 0.5 hour to review each application for agricultural classification of land. The application process will require 17,850 hours of work or 10.14 FTE. The Department will hire the equivalent of 10.14 FTEs as grade 12 appraisers for FY2000. The total cost is \$291,400.
18. In FY2000, it will require five minutes per agricultural application (2,975 hours) to enter information into the Computer Assisted Mass Appraisal System (CAMAS). The Department would hire 1.70 FTEs as grade 8 property valuation technicians for a total cost of \$37,800.
19. The total personal services cost for FY2000 is \$426,700.

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20. The total personal services cost for FY2001 is \$58,400. An estimated 1,785 (5 percent) of the affected parcels will have appeals filed based on their new appraisals. Each appeal will involve 2 hours of preparation and defense. A total of 3,570 hours or 2.00 FTE as grade 12 appraisers are required for the appeal process.
21. In FY2000, an estimated 3,570 realty transfer certificates will be mailed to landowners who sold there property during the 1995-1996 timeframe. The estimated mailing cost is \$2,600. Administrative rules, forms and mailing costs for assessments and agricultural applications will total \$34,500. The affected taxpayers need new property tax assessments. The Department will develop taxpayer awareness information and many landowners will request agricultural applications.
22. In FY2000 and FY2001, additional appraisal staff will need \$500 per FTE for travel/per diem and an \$200 for supplies. This cost is \$7,100 in FY2000 and \$1,300 in FY2001.
23. In FY2000, contracted services require 160 hours of programming from the CLT computer vendor for a total cost of \$17,600.
24. The total operating expense is \$61,800 for FY2000 and \$1,300 in FY2001.

FISCAL IMPACT:

	FY2000 <u>Difference</u>	FY2001 <u>Difference</u>
FTE	15.14	2.00

Expenditures:

Personal Services	\$426,700	\$58,400
Operating Expenses	61,800	1,300
Local Assistance – School GTB	<u>0</u>	<u>(877,500)</u>
TOTAL	\$488,500	\$(817,800)

Funding:

General Fund (01)	\$488,500	\$59,700
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Revenues:

General Fund (01)	\$0	\$3,512,600
6 mill university levy (02)	0	221,850

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(\$488,500)	\$4,330,400
6 mill university levy (02)	0	221,850

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Local governments and schools would receive an estimated increase in property taxes of \$10,426,850 in FY2001.

LONG-RANGE IMPACTS:

Under the proposal, an additional \$14,161,300 would be produced each year in additional property taxes.

TECHNICAL NOTES:

1. The Realty Transfer Act would have to be amended to require sellers of land less than 160 acres in size to report sales prices to the Department.

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2. The proposal raises equalization issues. Because agricultural eligibility is based on a percentage of the gross income, properties that produce equal quantities of agricultural products are treated differently.
3. The language allows annual gross income from the owner, owner's immediate family members, agents, or the owner's employees. How does the Department determine whose income is to apply the income test against?
4. The proposal would increase property tax revenues. There are no CI-75 provisions in the proposal.